

FISCAL NOTE

Bill #: SB0002

Title: Eliminating the increase in liquor store commission rates enacted in 2001

Primary

Sponsor: Tom Zook

Status: As Introduced

Sponsor signature _____ Date _____

Chuck Swysgood, Budget Director _____ Date _____

Fiscal Summary

	<u>FY 2003 Difference</u>	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
Expenditures:			
General Fund	(\$186,224)	(\$443,654)	(\$705,724)
Net Impact on General Fund Balance:	\$186,224	\$443,654	\$705,724

<u>Yes</u>	<u>No</u>		<u>Yes</u>	<u>No</u>	
	X	Significant Local Gov. Impact		X	Technical Concerns
X		Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached	X		Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

1. Under current law, agency liquor stores receive commissions paid by the state. Generally, stores in communities with less than 3,000 population receive a commission rate of 10%; and stores in communities with 3,000 or more population receive a commission rate established through a competitive bidding process. Under certain circumstances, these commission rates may be adjusted per the requirements established in 16-2-101(6) and (8), MCA.
2. Additionally, with the passage of HB 348 in the 2001 Legislative Session, agency liquor store commission rates were increased based upon the annual volume of sales by agency liquor stores. Agency liquor stores with a volume of sales less than \$500,000 receive an additional commission of 1.25% beginning July 1, 2002, 1.25%

Table 1
Additional Commission Rates
HB348 (2001)

Additional Commission Rates

-----Sales-----		
<\$500,000	>=\$500,000	Effective Date
1.250%	0.125%	July 1, 2002
1.250%	0.500%	July 1, 2003
1.500%	0.875%	July 1, 2004

(continued)

beginning July 1, 2003, and 1.5% beginning July 1, 2004. Agency liquor stores with a volume of sales greater than or equal to \$500,000 receive an additional commission of 0.125% beginning July 1, 2002, 0.5% beginning July 1, 2003, and 0.875% beginning July 1, 2004. Table 1 shows the additional commission rates and the effective date for these rates under HB 348 (2001).

3. Under this proposal, beginning September 1, 2002, the additional commission rates provided in current law (HB 348, 2001) are repealed.

4. Under this proposal, general fund expenditures will decrease by \$186,224 in FY 2003, by \$443,654 in FY 2004, and \$705,724 in FY 2005. The agency liquor stores commissions will decrease by \$186,224 in FY 2003, by \$443,654 in FY 2004, and \$705,724 in FY 2005. Table 2 shows the impacts under this proposal to the agency liquor stores with volume of sales less than \$500,000, agency liquor stores with volume of sales greater than or equal to \$500,000, and the state general fund through FY 2005. Table 2 has a line labeled "Adjustments." The adjustment is for FY 2003 due to the fact that liquor stores will receive the HB 348 (2001) commission rates in the months of July and August of FY 2003.

5. The above impacts in assumption four are calculated using FY 2002 commissions and gross liquor sales as a base.

Table 2 Estimated HB348 (2001) Commissions Impacts to the State General Fund and Liquor Stores Under SB2 (2002 Special Session) Fiscal Years 2003 through 2005			
	<u>FY2003</u>	<u>FY2004</u>	<u>FY2005</u>
	<u>-----Commissions-----</u>		
Volume of Sales			
<\$500,000	\$160,015	\$164,656	\$203,317
>=\$500,000	\$66,136	\$278,999	\$502,407
Est. HB348 Gross Commissions	\$226,151	\$443,654	\$705,724
Adjustments	<u>(\$39,927)</u>	<u>\$0</u>	<u>\$0</u>
General Fund Impact	<u>\$186,224</u>	<u>\$443,654</u>	<u>\$705,724</u>
Commissions (liquor stores)	<u>(\$186,224)</u>	<u>(\$443,654)</u>	<u>(\$705,724)</u>

FISCAL IMPACT:

	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Expenditures:</u>			
General Fund (Liquor Store Commissions) (01)	(\$186,224)	(\$443,654)	(\$705,724)
<u>Revenues:</u>			
Commissions (liquor stores) (01)	(\$186,224)	(\$443,654)	(\$705,724)

Net Impact to Fund Balance (Revenue minus Expenditure):

General Fund (01)	\$186,224	\$443,654	\$705,724
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EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

LONG-RANGE IMPACTS:

Under this proposal, revenue to the state general fund will continue to increase in succeeding fiscal years, and agency liquor store commissions will continue to decrease, as long as gross sales continue to increase.